Prevent Child Abuse Louisiana
Baton Rouge, Louisiana
June 30, 2012

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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

October 2, 2012

Independent Auditor's Report

Board of Directors
Prevent Child Abuse Louisiana
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of

Prevent Child Abuse Louisiana
(A Non-Profit Organization)

as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Prevent Child Abuse Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prevent Child Abuse Louisiana, as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012, on our consideration of Prevent Child Abuse Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Prevent Child Abuse Louisiana
Statement of Financial Position
June 30, 2012

Assets

Current Assets	
Cash	$ 94,339
Grants and contracts receivable	18,214
Total current assets	112,553
Fixed Assets	
Equipment	20,784
Less: accumulated depreciation	20,766
Total fixed assets	18
Other Assets	
Deposits	1,270
Beneficial Interest in Split-interest Agreement	394,667
Total assets	$508,508

Liabilities and Net Assets

Current Liabilities	
Line of credit	$ 62,245
Total current liabilities	62,245
Deferred Liabilities	
Deferred income	23,409
Net Assets	
Unrestricted net assets	28,187
Temporarily restricted	394,667
Total net assets	422,854
Total liabilities and net assets	$508,508

The accompanying notes are an integral part of these financial statements.

Prevent Child Abuse Louisiana
Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Public Support and Revenue				
Grants - Public	$ 55,412	$ –	$ –	$ 55,412
Grants - Private	9,090	–	–	9,090
Organization donations	47,307	–	–	47,307
Corporate donations	2,440	–	–	2,440
Foundation donations	3,500	–	–	3,500
Individual donations	6,105	–	–	6,105
Special events	3,339	–	–	3,339
State conferences	32,880	–	–	32,880
Other	11,536	–	–	11,536
Changes in value of split-interest agreements	–	(25)	–	(25)
Total public support and revenue	171,609	(25)	–	171,584
Expenses				
Program services	109,981	–	–	109,981
Administrative	16,268	–	–	16,268
Fund-raising	200	–	–	200
Total expenses	126,449	–	–	126,449
Increase (Decrease) in Net Assets	45,160	(25)	–	45,135
Net Assets				
Beginning of year	(16,973)	394,692	–	377,719
End of year	$ 28,187	$394,667	$ –	$422,854

The accompanying notes are an integral part of these financial statements.

Prevent Child Abuse Louisiana
Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services	Supporting Services			
	Prevent Child Abuse	Adminis-trative	Fund-raising	Total Supporting Services	Total Expenses
Payroll expenses	$ 45,674	$ –	$ –	$ –	$ 45,674
Employee benefits	4,185	–	–	–	4,185
Professional fees	16,952	1,082	–	1,082	18,034
Program supplies	4,996	104	104	208	5,204
Printing	1,189	–	–	–	1,189
Occupancy	3,464	71	–	71	3,535
Telephone	5,004	1,174	–	1,174	6,178
Travel	3,413	1,078	–	1,078	4,491
Postage and shipping	1,227	–	–	–	1,227
Equipment maintenance and rental	–	7,310	–	7,310	7,310
Membership dues	1,536	1,664	–	1,664	3,200
Insurance	2,934	877	–	877	3,811
Interest	–	1,751	–	1,751	1,751
Miscellaneous	356	185	96	281	637
Conference	19,051	–	–	–	19,051
Depreciation	–	972	–	972	972
Total functional expenses	$109,981	$16,268	$200	$16,468	$126,449

The accompanying notes are an integral part of these financial statements.

Prevent Child Abuse Louisiana
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows From Operating Activities	
Increase in net assets	$ 45,135
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	972
Change in beneficial interest in split-interest agreement	25
(Increase) decrease in assets:	
Grants and contracts receivable	20,707
Increase (decrease) in liabilities:	
Accounts payable	(21,233)
Accrued expenses	(7,693)
Deferred income	23,409
Net cash provided by operating activities	61,322
Cash Flows From Financing Activities	
Payments on line of credit	(9,562)
Net cash used in financing activities	(9,562)
Increase in Cash and Cash Equivalents	51,760
Cash and Cash Equivalents, beginning of year	42,579
Cash and Cash Equivalents, end of year	$ 94,339
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for:	
Interest	$ 1,751

The accompanying notes are an integral part of these financial statements.

Note 1-Summary of Significant Accounting Policies

A. Nature and Purpose

Prevent Child Abuse Louisiana (referred to herein as "PCAL" or "the Organization") is a statewide, volunteer-based organization dedicated to the prevention of child abuse and neglect in all its forms. This mission is carried out through the development, implementation and support of child abuse prevention activities in Louisiana.

PCAL's goals are to develop a statewide prevention network throughout Louisiana, educate the public about the prevalence of child abuse and the Organization's role in child abuse prevention and to provide community-based programs throughout Louisiana. The Organization is headquartered in Baton Rouge.

B. Basis of Accounting and Presentation

The financial statements of PCAL are prepared on the accrual basis, recording revenue when earned and expenses when incurred.

PCAL reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by PCAL is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by PCAL has been limited by donors to (a) later periods of time or other specific dates, or (b) specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting PCAL's use of the asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, PCAL considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 1-Summary of Significant Accounting Policies (Continued)

E. Grants and Contracts Receivable

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services under the terms of the grant agreement. Advances under the grants are recorded as deferred income until such time as they can be recognized as revenue.

As of June 30, 2012, PCAL considered its grants and contracts receivable to be fully collectible; therefore, no allowance for doubtful accounts was recorded.

F. Fixed Assets

PCAL follows the practice of capitalizing, at cost, expenditures for fixed assets in excess of $500. All donated fixed assets are recorded at fair market value at the date of donation. Depreciation is provided for using the straight-line method based on the estimated useful lives of the assets, which range from three to five years.

G. Accrued Annual Leave

PCAL accrues personal time off on all full-time employees at a rate of 6.77 hours per pay period (22 days annually) for years one through three; 7.38 hours per pay period (24 days annually) for years four through five; 8.31 hours per pay period (27 days annually) for years six through nine; 9.85 hours per pay period (32 days annually) during the tenth year and thereafter. Calculation is based on 26 pay periods per year. Employees may carry over no more than 50% of his/her PTO to the next fiscal year, not to exceed a total of 240 PTO hours at any given time. PCAL will pay out 50% of remaining PTO upon termination. There was no accrued liability for annual leave at June 30, 2012.

H. Contributed Services

PCAL receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, have not been satisfied. PCAL receives more than 1,000 volunteer hours per year.

I. Functional Allocation of Expenses

The costs of providing various programs, fund-raising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefitted.

J. Advertising Costs

Advertising costs are expensed as incurred. There were no advertising expenses in the fiscal year ended June 30, 2012.

Note 1-Summary of Significant Accounting Policies (Continued)

K. Designations of Net Assets

Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. Designations may be reversed by the Board of Directors at any time.

L. Income Taxes

PCAL is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income taxes on related income has been included in the financial statements.

PCAL adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. PCAL recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

PCAL has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, PCAL is no longer subject to federal, state, or local tax examinations by tax authorities for fiscal years ended before June 30, 2009.

Note 2-Beneficial Interest in Split-Interest Agreement

Prevent Child Abuse Louisiana was named as a ten percent (10%) beneficiary of the James M. Bernhard, Jr. Charitable Remainder Annuity Trust ("the Trust"). The Trust was established on December 29, 1993 and has a term of twenty (20) years.

At the end of the 20-year term, the Trust will terminate and the trustee will distribute cash in an amount equivalent to ten percent (10%) of the balance of the Trust to PCAL. The Trust is inalienable and the Trust instrument is irrevocable.

The Trust agreement contains various restrictions, among which are restrictions regarding funding of the Trust, terms of the Trust, payment of annuity, proration of the annuity amount, distribution to charity, prohibited transactions, successor trustee, governing law, limited power of amendment, and investment of trust assets.

The beneficial interest is reported at fair value as "Temporarily Restricted" on the financial statements at June 30, 2012 and is as follows:

Beneficial Interest in Split-Interest Agreement	$394,667

Change in value is due to the change in market value of the assets held in trust.

Note 3-Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012:

Beneficial Interest in Split-Interest Agreement: based on quoted market prices of the underlying securities of the trust.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plans assets at fair value measurements as of June 30, 2012:

	Assets at Fair Value as of June 30, 2012			
	(Level 1)	(Level 2)	Level 3)	Total
Beneficial interest in split-interest agreement	$ –	$394,667	$ –	$394,667

Note 4-Line of Credit

The Organization has an unsecured line of credit with an area bank with a total available credit limit of $75,000 at a variable interest rate of 3.25% as of June 30, 2012. The amount borrowed at June 30, 2012 was $62,245.

Note 5-Contingencies - Grant Program

Prevent Child Abuse Louisiana participates in federal and state grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that PCAL has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and PCAL.

Note 6-Economic Dependence

Prevent Child Abuse Louisiana receives approximately 30% of its funds from federal and state grants or contracts. All funds received from the grants and contracts are federal and state funds and are appropriated each year by the federal and state government. If significant budget cuts are made at the federal or state level, the amount of funds received by PCAL could be reduced by an amount that could adversely impact its operations. Management is not aware of any actions that have been taken or are proposed to be taken by the federal or state government that will adversely impact PCAL's grants and contracts for the fiscal year ending June 30, 2012.

Note 7-Board of Directors Compensation

PCAL is a private, non-profit organization led by a volunteer Board of Directors; therefore, no compensation or per diem has been paid to any director.

Note 8-Subsequent Events

PCAL evaluated all subsequent events through October 2, 2012, the date the financial statements were available to be issued. As a result, PCAL noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

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8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

October 2, 2012

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Prevent Child Abuse Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of

Prevent Child Abuse Louisiana
(A Non-Profit Organization)

as of and for the year ended June 30, 2012, and have issued our report thereon dated October 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Prevent Child Abuse Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Prevent Child Abuse Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prevent Child Abuse Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prevent Child Abuse Louisiana's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Prevent Child Abuse Louisiana's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Prevent Child Abuse Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Prevent Child Abuse Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Findings - Financial Statement Audit

2012-01 - Segregation of Duties

Condition:

Due to the small size of the organization, insufficient segregation of duties prevents effective internal control.

Auditor's Recommendation:

We recommend that more duties be assigned to the Board of Directors so that internal controls will be enhanced.

Management's Response:

In August 2009, the Board of Directors of Prevent Child Abuse Louisiana (PCAL) made strategic changes to the leadership of the organization in an effort to stabilize the finances and ensure that the programs offered would be effective in supporting and strengthening the families of Louisiana. This leadership change led to several other organizational changes, including a drastic reduction in staff and the paring down of programs to ensure that only the most effective, efficient, mission-critical activities were conducted by PCAL. Thus, for the course of the fiscal year audited herein, PCAL had only one paid employee.

Though the sole employee had responsibility for all financial duties, the Board of Directors remained heavily involved and active in financial processes. The Treasurer of the Board of Directors has online access to the bank accounts and receives all bank statements unopened and identifies and questions any unusual transactions. All cash accounts are reconciled monthly and financial statements are given to the Board of Directors on a regular basis. Additionally, two signers have been required on all checks over $5,000.00.

In an effort to take immediate corrective action on this audit finding, the Board of Directors voted on October 4, 2012 to now require two signatures, those of the Executive Director and a Board member, on all checks. It should also be noted that PCAL hired a second employee in September 2012. Additional segregation of duties involving this staff member and members of the Board of Directors will be discussed and associated financial policies and procedures are expected to be adopted at the October 17, 2012 meeting of the Board of Directors.